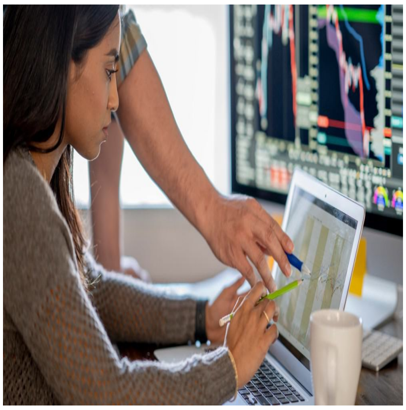

Beginners: How to Trade Stocks Without Losing it All

### Description

Are you interested in trading stocks but worried about losing it all? If so, there is one principle that will help you more than any other: diversification.

By buying diversified portfolios of stocks instead of individual equities, you can simply buy, hold, and rest easy.

In this article, I will show you the fastest and easiest way to build a diversified portfolio that you can invest in with relatively little risk.



## Focus on ETFs

For most investors, exchange-traded funds (ETFs) are the best assets to invest in. You don't need any deep insights into individual companies in order to own them, and they can be very cheap (in terms of management fees).

Consider **iShares S&P/TSX 60 Index Fund** (TSX:XIU) for example. It's a diversified fund that holds the 60 largest Canadian stocks by market cap. It has a 0.16% management expense ratio (MER), which is pretty low. Additionally, it is highly liquid, as it is the most popular ETF in Canada. By buying diversified index funds like XIU, you reduce your risk, by "spreading your eggs across many baskets." The result is a satisfactory return at a much lower level of risk than you'd assume by holding one individual stock.

## Diversify your funds

Once you have chosen one fund to invest in, your next step is to diversify even further. As an amateur investor, your goal should pretty much be to achieve the highest level of diversification possible. To that end, you might want to allocate your portfolio something like this:

- 40% into an S&P 500 fund

- 30% into a global stocks fund
- 20% into a bond fund
- 10% into a Canadian stocks fund

This kind of allocation will give you broad exposure to the global equities market, along with some bond income. Of course, portfolio allocation is never a one-size-fits-all solution. Every investor has unique needs. For custom advice, you should speak with a financial advisor, who will help you find investments that suit your unique circumstances.

## Don’t try to time the market

A final tip for getting started with trading stocks is to never time the market. A lot of companies promote courses that advocate for “day trading” in order to make profits on your investments every single day. Studies show that over 90% of people who attempt this fail. Nobody really knows how any particular stock is going to move on a particular day. Nor do they know how ETFs will move, for that matter. Ultimately, the best strategy is to simply buy index funds periodically and hold them until retirement. By doing so, you will outperform almost everybody who tries to time the market.

## Foolish takeaway



I started this article by asking how an individual investor can profitably trade stocks. Now, I can end it with a definitive answer:

Don’t “trade” at all. By trading actively, you reduce your total returns. Instead, buy cheap, diversified index funds at regular intervals and hold on to them long term. By doing so, you will outperform those in the market who attempt to “trade.”

**CATEGORY**

1. Investing

**TICKERS GLOBAL**

1. TSX:XIU (iShares S&P/TSX 60 Index ETF)

**PARTNER-FEEDS**

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

**PP NOTIFY USER**

1. andrewbutton
2. kduncombe

**Category**

1. Investing

**Date**
2025/06/30
**Date Created**
2022/05/03
**Author**
andrewbutton